NCA
VOC FOR IOP/FN
BACKGROUNDER NO. 1-0216 FEBRUARY 20, 1975
DAVID LENT/ BEIRUT

OIL PRICE REDUCTION IMPLICATIONS
(VOICED VERSION WITH INSERTS AVAILABLE IN TAPE LIBRARY)

ANNCR:

IRAN LAST WEEK ANNOUNCED A NINE AND ONE-HALF CENT A BARREL REDUCTION IN THE PRICE OF HEAVY CRUDE OIL. THE MOVE HAS BROAD IMPLICATIONS. VOA'S DAVID LENT REPORTS FROM BEIRUT.

VOICE:

THE IRANIAN OIL PRICE REDUCTION IS SEEN HERE AS THE BEGINNING OF A BROADER DECLINE IN OIL PRICES, BUT NOT A COLLAPSE OF THE PRICE-SETTING MECHANISM OF THE ORGANIZATION OF PETROLEUM EXPORTING COUNTRIES, OR OPEC.

TAPE: CUT ONE -- MARWAN ISKANDAR

"THIS REDUCTION IS AN INDICATION THAT THERE IS PRESSURE ON OIL PRICES IN IRAN AS ONE OF THE COUNTRIES OF OPEC."

VOICE:

DOCTOR MARWAN ISKANDAR, A LEADING LEBANESE ECONOMIST AND GENERAL MANAGER OF MIDDLE EAST ECONOMIC CONSULTANTS WHICH PUBLISHES "MIDDLE EAST MONEY," A WEEKLY BULLETIN OF NEWS AND EXPERT VIEWS FROM THE OIL STATES.

TAPE: CUT TWO -- ISKANDER

"I WOULD SAY THAT OIL PRICES, IN MY ESTIMATE, IN NINETEEN SEVENTY-SIX, FOR MOST OF THE OIL IMPORTING COUNTRIES, WILL BE LOWER THAN IN NINETEEN SEVENTY-FIVE. MEANING EUROPE AND THE UNITED STATES WILL PAY, FOR EACH BARREL OF OIL, FEWER CENTS AND DOLLARS THAN THEY PAID IN NINETEEN SEVENTY-FIVE. POSSIBLY, THIS WILL BE ANYWHERE BETWEEN TWENTY-FIVE AND FIFTY CENTS LOWER PER BARREL. I FEEL THAT THE COMPETITIVE LIMITS FOR THE PRICE OF OIL DICTATE A SLOPING DOWNWARDS IN NINETEEN SEVENTY-SIX."

VOICE:

DOCTOR ISKANDAR FEELS THERE HAS BEEN A FUNDAMENTAL SHIFT IN THE POSITIONS OF RELATIVE STRENGTH BETWEEN THE OIL PRODUCERS AND OIL CONSUMERS SINCE THE PRODUCERS RAISED OIL PRICES NEARLY FOUR-FOLD AT THE END OF NINETEEN SEVENTY-THREE.

TAPE: CUT THREE -- ISKANDAR

"I FEEL THAT OPEC IS NO LONGER AS STRONG, FOR EXAMPLE, AS THE INTERNATIONAL ENERGY AGENCY IN TERMS OF ITS NEGOTIATING ABILITY FOR DETERMINING OIL PRICES."

VOICE:

THE INTERNATIONAL ENERGY AGENCY IS COMPOSED OF THE WORLD'S MAJOR OIL CONSUMERS. IN DOCTOR ISKANDAR'S VIEW, THE POLICIES THEMSELVES OF SOME OPEC MEMBERS ARE RESPONSIBLE FOR THIS DEVELOPMENT.

TAPE: CUT FOUR -- ISKANDAR

"IN MY BELIEF, THE OPEC ORGANIZATION NOW IS UNDER GREATER PRESSURE THAN IT HAS EVER FACED BECAUSE QUITE A NUMBER OF ITS MEMBERS HAVE TO HAVE A CERTAIN VOLUME OF INCOME TO SUSTAIN THEIR DEVELOPMENT. THIS LEVEL OF INCOME HAS BECOME, IN MANY OF THE COUNTRIES, RATHER HIGH BECAUSE OF BAD PUBLIC EXPENDITURE POLICIES. WITHOUT SPECIFYING WHETHER IT'S BAD PUBLIC EXPENDITURE POLICIES OR OTHERWISE, WE KNOW FOR CERTAIN THAT COUNTRIES LIKE ALGERIA, IRAN, NIGERIA, VENEZUELA, INDONESIA AND IRAQ SUFFER IN VARYING DEGREES A NEED TO HAVE MORE INCOME."

VOICE:

DOCTOR ISKANDAR SAYS THAT UNLESS THESE COUNTRIES CURB THEIR EXPENDITURES, AND IN PARTICULAR THEIR EXPENDITURES FOR ARMAMENTS, OPEC WILL BE UNDER CONTINUOUS INTERNAL PRESSURE OF HAVING ONE MEMBER OUTBID THE OTHERS.

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